

- (3) The figure determined under subparagraph (2) shall be subtracted from the figure identified under subparagraph (1). If the remainder is a positive figure, supplemental lump-sum payment adjustments shall be made under this subsection.
 - (4) The maximum amount of supplemental lump-sum payment adjustments under this subsection shall be the positive remainder derived in subparagraph (3).
- c. For purposes of supplemental lump-sum payment adjustments under this subsection, only hospitals that can be categorized into either of the two groups specified in subparagraphs (1) and (2) below shall be eligible to receive the supplemental payment adjustments, and no hospital may qualify for more than one of the two groups. The following groups of hospitals shall be recognized:
- (1) "Public hospitals," which shall include all eligible hospitals that, as of July 1, 2000, met the definition of a public hospital.
 - (2) "Nonpublic hospitals," which shall include all eligible hospitals that, as of July 1, 2000, met the definition of a nonpublic hospital.
- d. The amount determined to be the maximum amount of supplemental lump-sum payment adjustments under paragraph b. shall first be allocated between the two groups of hospitals referred to in paragraph c. as follows:
- (1) "Public hospitals": 75.00% of that amount which is equal to the maximum amount less thirty-six million six hundred sixty-six thousand six hundred sixty-seven dollars (\$36,666,667).
 - (2) "Nonpublic hospitals": That amount equal to the maximum amount less the amount allocated to public hospitals determined under subparagraph (1).
- e. The amount of funds allocated pursuant to paragraph d. shall then be distributed as supplemental lump-sum payment adjustments among the eligible hospitals within each particular group as follows:
- (1) The Department shall identify for each eligible hospital the total amount of payment adjustments under this Attachment (exclusive of any payments under this subsection) applicable to the 2000-01 payment adjustment year, whether paid or payable. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal Medicaid rules.

- (2) The amount identified for each hospital under subparagraph (1) shall be compared to the OBRA 1993 payment limitation that, in accordance with Section J., the Department has computed for the particular hospital for the 2000-01 payment adjustment year.
- (3) Where the amount computed under subparagraph (1) for the particular hospital is equal to or exceeds the OBRA 1993 payment limitation for the hospital, the hospital shall not receive a supplemental lump-sum payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of subparagraphs (5) through (8).
- (4) Where the amount computed under subparagraph (1) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount computed under subparagraph (1) shall be used for purposes of subparagraphs (5) through (8).
- (5) The amounts identified under subparagraph (4) for each hospital in the particular group shall be added together to determine an aggregate total for each group.
- (6) The figures determined for each hospital under subparagraph (4) shall be divided by the aggregate total determined under subparagraph (5) for the particular group, yielding a percentage figure for each hospital.
- (7) The percentage figure determined for each hospital under subparagraph (6) shall be applied to the maximum portion of the funds allocated to the particular group under paragraph d., to determine the hospital's pro rata share of the supplemental lump-sum payment adjustments. Notwithstanding the foregoing, however, in the case of a nonpublic hospital that, as of July 1, 2000, met the definition of a children's hospital, such pro rata share otherwise determined shall be multiplied by a factor of 1.69, yielding a modified pro rata share to be applied only with respect to the first one million dollars (\$1,000,000) of the funds allocated pursuant to subparagraph (2) of paragraph d., and, with respect to the remainder of the funds so allocated, the pro rata share otherwise determined shall be multiplied by a factor of 1.09, yielding a modified pro rata share to be applied. The pro rata share for the other nonpublic hospitals shall be reduced accordingly, yielding a modified pro rata share, so that the maximum portion of

the funds allocated to the nonpublic hospitals group will not be exceeded. The pro rata share or modified pro rata share, as applicable, for each hospital, as computed under this subparagraph, shall also be used for all purposes relating to descending pro rata distributions under subparagraph (8).

- (8) In no event shall a hospital receive supplemental lump-sum payment adjustment amounts in excess of the difference between the OBRA 1993 payment limitation for the hospital and the amount computed for the hospital under subparagraph (1). Any supplemental lump-sum payment adjustment amount, or portion thereof, that otherwise would have been payable under this paragraph to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals within the same group.

- f. The Department shall make interim and final payments of the supplemental lump-sum payment adjustments to hospitals on or before June 30, 2001.

P. Payment Adjustment Program for 2001-02 Payment Adjustment Year and Subsequent Payment Adjustment Years.

With respect to the 2001-02 payment adjustment year and each subsequent payment adjustment year, the program shall proceed in conformance with the provisions of other applicable Sections of this Attachment, except as set forth below.

1. Non-Supplemental Payment Adjustments - July 1 - September 30.

No payment adjustment amounts shall be payable in connection with the period of July 1 through September 30 of the 2001-02 payment adjustment year and each subsequent payment adjustment year.

2. Non-Supplemental Payment Adjustments - October 1 - June 30.

Payment adjustments with respect to the period October 1 through June 30 of the 2001-02 payment adjustment year and each subsequent payment adjustment year (exclusive of the supplemental lump-sum payment adjustments provided for under subsection 3.), shall be structured as set forth below.

- a. The Department shall determine the maximum state disproportionate share hospital allotment for California for the applicable federal fiscal year under the provisions of applicable federal Medicaid rules.

- b. The initial maximum size of the payment adjustment program for the period October 1 through June 30 of each applicable payment adjustment year shall be set at one billion six hundred million dollars (\$1,600,000,000), exclusive of any supplemental payment adjustments under subsection 3.
- c. The Department shall compute the projected total payment adjustment amounts for all eligible hospitals for the applicable payment adjustment year, exclusive of any supplemental payment adjustments under subsection 3., by determining for each eligible hospital its total per diem composite amount and multiplying that figure by 80 percent of the hospital's annualized Medi-Cal inpatient paid days. For purposes of this paragraph, such determinations shall be made without regard to the OBRA 1993 payment limitations. Notwithstanding the foregoing, with respect to a hospital that, as of July 1 of the applicable payment adjustment year, meets the definition of a converted hospital, the amount otherwise determined under this paragraph shall be reduced as necessary so as not to exceed the total amount of all payment adjustment amounts payable to the hospital under this Attachment for that payment adjustment year in which the hospital was last an eligible hospital meeting the definition of a public hospital.
- d. The computed amount referred to in paragraph c. for each hospital shall be compared to the OBRA 1993 payment limitation that, in accordance with Section J., the Department has computed for the particular hospital for the applicable payment adjustment year.
- e. Where the computed amount referred to in paragraph c. for the particular hospital exceeds the OBRA 1993 payment limitation for the hospital, the amount computed under paragraph c. shall be reduced to an amount equal to the OBRA 1993 payment limitation for the particular hospital. The amount so reduced shall be used for purposes of paragraph g.
- f. Where the computed amount referred to in paragraph c. for the particular hospital is equal to or less than the OBRA 1993 payment limitation for the hospital, the computed amount referred to in paragraph c. shall be used for purposes of paragraph g.
- g. The amounts determined under paragraphs e. and f. for all eligible hospitals shall be added together, yielding an aggregate sum. The aggregate sum shall be the unadjusted projected total payment adjustment program for the period October 1 through June 30 of the applicable payment adjustment year, exclusive of any supplemental payment adjustments under subsection 3.

- h. The Department shall increase or decrease the amount determined for each eligible hospital under paragraph e. or f., as applicable, by multiplying the amount by an identical percentage, yielding the hospital's tentative adjusted projected total payment adjustment amount for the period October 1 through June 30 of the applicable payment adjustment year. The identical percentage figure to be used for this purpose shall be that percentage that is derived by dividing the amount set forth in paragraph b. by the aggregate sum determined under paragraph g. In no case, however, shall the amount determined for a hospital under paragraphs e. or f. be increased such that it would exceed the OBRA 1993 payment limitation for the hospital, and, where such would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other hospitals (that have not reached their OBRA 1993 payment limitation) on a descending pro rata basis so that the aggregate sum of the tentative adjusted projected total payment adjustment amounts for all hospitals equals the amount set forth in paragraph b.
- i. The tentative adjusted projected total payment adjustment amount computed for each eligible hospital under paragraph h. shall be further adjusted as follows:
- (1) Nonpublic/converted hospitals.
- (a) For each eligible hospital that meets the definition of a nonpublic/converted hospital as of July 1 of the applicable payment adjustment year, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "nonpublic/converted hospital adjustment factor." The applicable adjustment factor shall be 0.835; except, however, where the hospital also meets the definition of a major teaching hospital as of July 1 of the applicable payment adjustment year, the applicable adjustment factor shall be the lesser of 1.00, or that which is necessary to result in an amount for the particular hospital equal to thirty-five million eight hundred thousand dollars (\$35,800,000).
- (b) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1 through June 30 of the applicable payment adjustment year, which shall be paid to the hospital in accordance with paragraph j. In no case, however, shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation.

(2) Converted Hospitals.

- (a) For each eligible hospital that meets the definition of a converted hospital as of July 1 of the applicable payment adjustment year, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "converted hospital adjustment factor." The applicable adjustment factor shall be derived as follows:
 - (i) The maximum OBRA 1993 limit percentage that is applicable to the hospital for the applicable payment adjustment year pursuant to subsection 5. of Section J. shall be subtracted from 175 percent (the maximum percentage that was applicable to the hospital as a public hospital during the 1999-2000 payment adjustment year).
 - (ii) The converted hospital adjustment factor shall be that figure derived in subclause (i), expressed as a fraction, subtracted from 1.00.
- (b) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1 through June 30 of the applicable payment adjustment year, which shall be paid to the hospital in accordance with paragraph j. In no case, however, shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation.

(3) Nonpublic Hospitals

- (a) For each eligible hospital that meets the definition of a nonpublic hospital as of July 1 of the applicable payment adjustment year, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "nonpublic hospital adjustment factor." The applicable adjustment factor shall be derived as follows:
 - (i) The tentative adjusted projected total payment adjustment amount determined under paragraph h. for each nonpublic hospital described above shall be added together.

- (ii) The amount identified in paragraph b. shall be divided by 2.237.
- (iii) The resulting figure in clause (ii) shall be increased by an amount equal to the product of the medical assistance increment multiplied by the maximum amount identified in paragraph a.
- (iv) The amount derived under clause (iii) shall be reduced by the following:
 - (I) the sum of the amounts determined for all nonpublic/converted hospitals under subparagraph (1); and
 - (II) the sum of that portion of the amount determined for any converted hospital under subparagraph (2) that is in excess of that amount equal to 31 percent of all payment adjustment amounts that were payable to the hospital for that payment adjustment year in which the hospital was last an eligible hospital meeting the definition of a public hospital.
- (v) The amount computed under subclause (iv) shall be divided by 2, and the result thereof further reduced by the amount of thirty-three million five hundred thousand dollars (\$33,500,000).
- (vi) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (v) by the amount derived in subclause (i).
- (b) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1 through June 30 of the applicable payment adjustment year, which shall be paid to the hospital in accordance with paragraph j. In no case, however, shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation, and, where such would otherwise

occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other nonpublic hospitals (that have not reached their OBRA 1993 payment limitation) on a descending pro rata basis so that the aggregate sum of the final adjusted projected total payment adjustment amounts for all nonpublic hospitals equals the amount derived in subclause (v) of clause (a).

(4) Public Hospitals.

- (a) For each eligible hospital that meets the definition of a public hospital as of July 1 of the applicable payment adjustment year, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "public hospital adjustment factor." The applicable adjustment factor shall be derived as follows:
 - (i) The tentative adjusted projected total payment adjustment amounts determined under paragraph h. for each public hospital described above shall be added together.
 - (ii) The amount identified in paragraph b. shall be reduced by the sums of the amounts determined for all nonpublic/converted hospitals under subparagraph (1) and all converted hospitals under subparagraph (2), and the sum of the amounts determined for all nonpublic hospitals under subparagraph (3).
 - (iii) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (ii) by the amount derived in subclause (i).
- (b) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1 through June 30 of the applicable payment adjustment year, which shall be paid to the hospital in accordance with paragraph j. In no case, however, shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation, and, where such would otherwise

occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other public hospitals (that have not reached their OBRA 1993 payment limitation) on a descending pro rata basis so that the aggregate sum of the final adjusted projected total payment adjustment amounts for all public hospitals equals the amount derived in subclause (ii) of clause (a).

- j. The final adjusted projected total payment adjustment amount determined for each eligible hospital for the period October 1 through June 30 of the applicable payment adjustment year shall be distributed to the hospital in 8 equal installments, each payable as of the last day of each month from October through May of the applicable payment adjustment year. However, no hospital shall receive an installment for any month in which the hospital does not remain in operation for the entire month. To the extent that any hospital of either of the hospital types described in subparagraph (3) or (4) of paragraph i. is not entitled to receive an installment that otherwise would be payable but for the hospital's failure to remain in operation through the last day of a particular month, the amount that would have been paid to the hospital shall be redistributed among those hospitals of the same hospital type that remain in operation from October 1 through June 30 of the applicable payment adjustment year, to be distributed on a pro rata basis. The redistributed amounts shall be payable as of June 30 of the applicable payment adjustment year.
- k. If, with respect to the 2001-02 payment adjustment year or any subsequent payment adjustment year, the amount identified for California for the applicable federal fiscal year pursuant to Section 1396r-4(f) of Title 42 of the United States Code exceeds the amount of eight hundred seventy-seven million dollars (\$877,000,000), the Department shall implement the provisions of paragraphs a. through j. with respect to the applicable payment adjustment year as modified below.
 - (1) The Department shall determine the maximum state disproportionate share hospital allotment for California under the provisions of applicable federal Medicaid rules.
 - (2) The Department shall calculate the maximum state disproportionate share hospital allotment for California, by substituting in the calculation the amount of eight hundred seventy-seven million dollars (\$877,000,000), as though that amount was identified for California for the applicable federal fiscal year pursuant to Section 1396r-4(f) of Title 42 of the United States Code.

- (3) The amount determined under subparagraph (2) shall be subtracted from the amount determined under subparagraph (1).
- (4) For purposes of the calculations set forth in paragraph h. regarding each hospital's tentative adjusted projected total payment adjustment amount, the initial amount as set forth in paragraph b. shall, in each instance prior to its application in those calculations, be increased by the amount derived in subparagraph (3).
- (5) The difference derived in subparagraph (3) shall be divided by the amount determined in subparagraph (2).
- (6) For purposes of the determination made under clause (a) of subparagraph (1) of paragraph i. regarding nonpublic/converted hospitals that also meet the definition of a major teaching hospital, the amount of thirty-five million eight hundred thousand dollars (\$35,800,000) as specified therein shall be multiplied by a number equal to the sum of the fraction derived in subparagraph (5) plus the number 1.00.
- (7) The fraction derived in subparagraph (5) shall be multiplied by 1.226, and the result thereof added to 1.00, yielding a factor for purposes of modifying the determination of the applicable nonpublic hospital adjustment factor pursuant to subparagraphs (8) and (9).
- (8) The amount derived under subclause (ii) of clause (a) of subparagraph (3) of paragraph i. shall be multiplied by the factor derived in subparagraph (7) prior to the application of the increase set forth in subclause (iii) of clause (a) of subparagraph (3) of paragraph i., as such increase is modified by subparagraph (9) below.
- (9) The increase that is applied in subclause (iii) of clause (a) of subparagraph (3) of paragraph i. shall be equal to the product of the medical assistance increment multiplied by the maximum amount derived in subparagraph (2).
- (10) For purposes of the calculations set forth in clause (a) of subparagraph (4) of paragraph i. regarding the determination of the applicable public hospital adjustment factor, the initial amount as set forth in paragraph b. shall, in each instance prior to its application in those calculations, be increased by the amount derived in subparagraph (3).

- l. No eligible hospital shall receive total payment adjustments for the applicable payment adjustment year in excess of the hospital's OBRA 1993 payment limitation as computed by the Department pursuant to Section J.
 - m. The aggregate sum of the final adjusted projected total payments adjustment amounts computed under paragraph i. for each eligible hospital for the period October 1 through June 30 of the applicable payment adjustment year shall be the maximum size of the payment adjustment program for the entire payment adjustment year, exclusive of the supplemental payment adjustments provided for under subsection 3.
3. Supplemental Lump-Sum Payment Adjustments - June 30.
- a. For the 2001-02 payment adjustment year and each subsequent payment adjustment year, eligible hospitals that meet the requirements of this subsection and that are in operation as of June 30 of the applicable payment adjustment year shall be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date, but only if the hospital has remained in operation for the period October 1 through June 30 of the applicable payment adjustment year.
 - b. The availability of supplemental lump-sum payment adjustments under this subsection shall be determined as follows:
 - (1) The maximum state disproportionate share hospital allotment for California under the provisions of applicable federal Medicaid rules shall be identified for the applicable federal fiscal year.
 - (2) The total amount of all payment adjustment amounts under this Attachment (exclusive of any payments under this subsection) applicable to the applicable federal fiscal year, whether paid or payable, shall be determined. The applicability of payment adjustment amounts to the federal fiscal year shall be determined in accordance with federal Medicaid rules.
 - (3) The figure determined under subparagraph (2) shall be subtracted from the figure identified under subparagraph (1). If the remainder is a positive figure, supplemental lump-sum payment adjustments shall be made under this subsection.

- (4) The maximum amount of supplemental lump-sum payment adjustments under this subsection shall be the positive remainder derived in subparagraph (3).
- c. For purposes of supplemental lump-sum payment adjustments under this subsection, only hospitals that can be categorized into either of the two groups specified in subparagraphs (1) and (2) below shall be eligible to receive the supplemental payment adjustments, and no hospital may qualify for more than one of the two groups. The following groups of hospitals shall be recognized:
- (1) "Public hospitals," which shall include all eligible hospitals that, as of July 1 of the applicable payment adjustment year, met the definition of a public hospital.
- (2) "Nonpublic hospitals," which shall include all eligible hospitals that, as of July 1 of the applicable payment adjustment year, met the definition of a nonpublic hospital.
- d. The amount determined to be the maximum amount of supplemental lump-sum payment adjustments under paragraph b. shall first be allocated between the two groups of hospitals referred to in paragraph c. as follows:
- (1) "Public hospitals": 75.00% of that amount which is equal to the maximum amount less thirty-six million six hundred sixty-six thousand six hundred sixty-seven dollars (\$36,666,667).
- (2) "Nonpublic hospitals": That amount equal to the maximum amount less the amount allocated to public hospitals determined under subparagraph (1).
- e. The amount of funds allocated pursuant to paragraph d. shall then be distributed as supplemental lump-sum payment adjustments among the eligible hospitals within each particular group as follows:
- (1) The Department shall identify for each eligible hospital the total amount of payment adjustments under this Attachment (exclusive of any payments under this subsection) applicable to the payment adjustment year, whether paid or payable. The applicability of the payment adjustment amounts to this period of time shall be determined in accordance with federal Medicaid rules.

- (2) The amount identified for each hospital under subparagraph (1) shall be compared to the OBRA 1993 payment limitation that, in accordance with Section J., the Department has computed for the particular hospital for the applicable payment adjustment year.
- (3) Where the amount computed under subparagraph (1) for the particular hospital is equal to or exceeds the OBRA 1993 payment limitation for the hospital, the hospital shall not receive a supplemental lump-sum payment adjustment. Data regarding hospitals that have reached this limitation shall not be used for purposes of subparagraphs (5) through (8).
- (4) Where the amount computed under subparagraph (1) for the particular hospital is less than the OBRA 1993 payment limitation for the hospital, the amount computed under subparagraph (1) shall be used for purposes of subparagraphs (5) through (8).
- (5) The amounts identified under subparagraph (4) for each hospital in the particular group shall be added together to determine an aggregate total for each group.
- (6) The figures determined for each hospital under subparagraph (4) shall be divided by the aggregate total determined under subparagraph (5) for the particular group, yielding a percentage figure for each hospital.
- (7) The percentage figure determined for each hospital under subparagraph (6) shall be applied to the maximum portion of the funds allocated to the particular group under paragraph d., to determine the hospital's pro rata share of the supplemental lump-sum payment adjustments. Notwithstanding the foregoing, however, in the case of a nonpublic hospital that, as of July 1 of the applicable payment adjustment year, met the definition of a children's hospital, such pro rata share otherwise determined shall be multiplied by a factor of 1.69, yielding a modified pro rata share to be applied only with respect to the first one million dollars (\$1,000,000) of the funds allocated pursuant to subparagraph (2) of paragraph d., and, with respect to the remainder of the funds so allocated, the pro rata share otherwise determined shall be multiplied by a factor of 1.09, yielding a modified pro rata share to be applied. The pro rata share for the other nonpublic hospitals

shall be reduced accordingly, yielding a modified pro rata share, so that the maximum portion of the funds allocated to the nonpublic hospitals group will not be exceeded. The pro rata share or modified pro rata share, as applicable, for each hospital, as computed under this subparagraph, shall also be used for all purposes relating to descending pro rata distributions under subparagraph (8).

(8) In no event shall a hospital receive supplemental lump-sum payment adjustment amounts in excess of the difference between the OBRA 1993 payment limitation for the hospital and the amount computed for the hospital under subparagraph (1). Any supplemental lump-sum payment adjustment amount, or portion thereof, that otherwise would have been payable under this paragraph to a hospital, but that is barred by this limitation, shall be distributed on a descending pro rata basis to those hospitals within the same group.

f. The Department shall make interim and final payments of the supplemental lump-sum payment adjustments to hospitals on or before June 30 of the applicable payment adjustment year.